(b) how these processes are monitored by Government as reliability of such ratings is a prerequisite for the protection of the interest of share investors?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (Shri SATPAL MAHARAJ): (a) and (b) The responsibility of monitoring and regulating the Credit Rating Agencies in the securities market and Non-Banking Financial Companies (NBFCs) lies with the Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) respectively.

Newsitem Regarding Statement of C.R. Bhansali

1495. SHRI NILOTPAL BASU: Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to the newsitem which appeared in the Pioneer, dated June 14, 1997 that C.R. Bhansali, the Prime accused in the Rs.1000 crore CRB financial scam, has squarely blamed State Bank (SBI) officials for the scandal and claimed that part of the amount was donated to a big national party and some of its leaders during the last Assembly elections; and

(b) if so, the reaction of Government thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) and (b) Government have seen the news item referred to in the question. Central bureau of Investigation (CBI) has already registered a case in May, 1997 against Shri C.R. Bhansali, Chairman of CRB Capital Markets Limited, certain unknown officials of State Bank of India (SBI) and others in regard to overdrawing of accounts with SBI for payment of interest warrants, deposit refunds and brokerage warrants.

Anti-Fraud Mechanism of Check Bank Frauds

1496. SHRI E. BALANANDAN:
SHRI JIBON ROY:

Will the Minister of FINANCE be pleased to state:

(a) whether Government failed to check recurrence of bank frauds for want of an effective anti-fraud mechanism for nationalised banks;

(b) if so, what are the reasons for not having such a mechanism as yet; and

(c) whether Government feels the need for such a mechanism to check bank frauds?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) to (c) For prevention of frauds and irregularities in public sector banks, steps have been taken for strengthening the internal control and audit systems. Board level Management Committees and Audit Committees have been set up. Public Sector banks have also been advised by the Reserve Bank of India (RBI) to appoint concurrent auditors at their large and extra large branches with a view to detect non-adherence to laid-down procedures and prevent irregularities and frauds, if any, without loss of time. All public sector banks have vigilance machinery which is responsible for preventive and detective steps so as to prevent frauds and corrupt practices by the bank officials.

RBI constantly reviews the working of internal inspection and vigilance machinery of banks. RBI has also issued comprehensive guidelines for strengthening the control mechanism in banks. It also carries out a review of fraud cases on a continual basis advising the banks of modus operandi in ingenious cases along with required safeguards to prevent their recurrence, proper training of operational personnel and investigations and scrutiny into reported cases of major frauds. RBI also conducts snap inspections of systems and procedures and control arrangements in fraud prone areas. In addition to on-site inspections which are conducted at

prescribed intervals, RBI has put in place the mechanism of off-site monitoring system to enable improved supervision. In order to exercise integrated supervision over the financial system, the Board for Financial Supervision (BFS) with its Advisory Council was constituted in 1994.

Amount Advanced in Foreign Exchange by the FIs

1497. SHRI GYAN RANJAN: Will the Minister of FINANCE be pleased to state:

(a) whether there is any method to verify that the amount advanced in foreign exchange by the financial institutions is actually spent in full by the industry to which it is advanced;

(b) if so, whether there have been some cases of violation of the norms if so, the number of cases registered by the Directorate of Enforcement in this regard and what action has been taken; and

(c) if not, what are the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) to (c) The Industrial Development Bank of India (IDBI) has reported that foreign exchange loans are advanced by it for import of goods or for project-related rupee expenditure. In case of imports, letters of credit (LC) are opened by IDBI in favour of overseas suppliers. On shipment of goods, payment in foreign currency is made by IDBI directly to the suppliers bank, as per LC terms. In case of foreign currency loans for project-related rupee expenditure, loans are disbursad in rupees by selling foreign currency in the inter-bank market, to meet the project expenditure already incurred to be incurred by the company. An auditor's cartificate for expenses incurred towards the project is obtained for all such foreign currency loans.

IDBI has further reported that there has been no violation of norms by its assisted companies. The Directorate of Enforcement have reported that they have not registered any case in this regard.

The Industrial Finance Corporation of India Ltd. has reported that in one case where advance payment was made and no import took place, the matter has been duly reported to Reserve Bank of India.

Loans Advanced by Financial Institutions to Essar Group

1498. SHRI GYAN RANJAN: Will the Minister of FINANCE be pleased to state:

(a) whether Public Financial Institutions have advanced loans to ESSAR Group of companies;

(b) if so, the details of the loans sanctioned and disbursed, project-wise;

(c) the names of the officers responsible for sanctioning of loans;

(d) whether ESSAR Group has not been able to repay the loan instalment regularly and if so, when it came to notice and what action had been taken by the financial institutions, and if not, the reasons therefor;

(e) whether the amount sanctioned has been fully utilised or has it been siphoned off abroad; and

(f) the number of cases pending against ESSAR Group of Companies and the progress made in each case?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) Yes, Sir.

(b) The Industrial Development Bank of India (IDBI) has reported that all India Financial institutions, IDBI, Industrial Finance Corporation of India Limited